

ANNUAL REPORT AND FINANCIAL STATEMENTS 2008

GILDEMEISTER AKTIENGESELLSCHAFT

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Preliminary Notes

GILDEMEISTER Aktiengesellschaft has no operative business but functions as the management holding company for the GILDEMEISTER group. The sales revenues shown for the parent company results almost exclusively from income from the exercise of the holding and service functions for the group as well as from rental income. The income situation of GILDEMEISTER Aktiengesellschaft differs from that of the group in terms of level and structure. It is essentially dominated by the control and profit and loss transfer agreements concluded with two domestic subsidiaries and the income and expenses resulting from the holding functions. The present management report refers exclusively to GILDEMEISTER Aktiengesellschaft as the parent company. The GILDEMEISTER group is represented in detail in our Annual Report 2008 and the Consolidated Financial Statements and Group Management Report contained therein, which were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU.

Economic Situation and Course of Business 2008

Overall Economic Development

In the reporting year the global economy slid into a downturn phase. Even China suffered a setback but still developed a strong driving force. The slowdown was most noticeable in the USA. This was closely followed by Europe; where Germany was particularly affected. According to provisional calculations by the Institute for World Economics (IfW) at the University of Kiel, aggregate output rose globally by 3.6% (previous year: 5.0%).

Development of the machine tool building industry

International development

Triggered by declining demand as a reaction to the international financial crisis, the global market for machine tools developed significantly weaker in the second half of 2008 than in the previous year. The German Machine Tool Builders' Association (VDW) calculated global output at € 54.5 billion (previous year: € 51.8 billion). This represents an increase of 5% (previous year: 9%). As in the previous year, Japan led the world rankings at € 10.8 billion, whereby its share in global output was 20% (previous year: 20%). Germany claimed second place again with € 10.7 billion; this likewise corresponds to 20% of all machine tools produced worldwide (previous year: 18%). China followed with output of € 8.5 billion or 16% of global output. Taking places four to seven were Italy (output: € 5.6 billion; global output share: 10%), Taiwan (€ 3.4 billion; 6%), South Korea (€ 3.1 billion; 6%) and the USA (€ 2.6 billion; 5%). Together these seven countries produced 83% of all machine tools (previous year: 80%).

German Machine Tool Industry

In 2008 the German machine tool industry reported overall declining order intake, higher production and a rise in exports. Order intake of € 14.2 billion remained below the level of the previous year (€ 16.0 billion). At the same time, domestic demand fell by 14% (previous year: +33%). International demand decreased by 9% (previous year: +26%). The ifo business climate index for the manufacturing industry reflected the change in the economic environment. According to this survey, the main consumer industries (mechanical engineering, automotive manufacturing and electrical engineering) reported significantly lower assessments than in the previous year.

Income, Financial and Net Worth Position

In the financial year just ended, the result of GILDEMEISTER Aktiengesellschaft was essentially determined by the profit and loss transfers of the affiliated companies in the amount of € 117.2 million (previous year: € 88.2 million). GILDEMEISTER Aktiengesellschaft closes with an annual profit of € 44.0 million (previous year: € 21.5 million). After allocating € 22.0 million to revenue reserves and under consideration of the profit carried forward of € 3.5 million, GILDEMEISTER Aktiengesellschaft recorded a balance sheet profit on 31 December 2008 of € 25.5 million (previous year: € 18.7 million).

In the reporting year, sales revenues (group cost allocations and rents) amounted to € 15.0 million (previous year: € 13.1 million). Other operating income decreased from € 5.7 million to € 3.5 million in the same period. The difference arises mainly from a reduction in exchange rate and currency gains reported in the financial year.

Expenses incurred for purchased services mainly cover maintenance of the production halls at the Bielefeld site. At € 4.4 million, this is about € 2.1 million higher than the previous year (€ 2.3 million).

In the reporting year, personnel expenses rose by € 3.8 million to € 18.8 million (previous year: € 15.0 million). The increase results primarily from allocations to provisions for risks arising out of severance pay benefits and from a rise in the variable wage component. Depreciation of € 1.5 million (previous year: € 1.5 million) has not changed since the previous year.

Other operating expenses amount to € 35.5 million and are thereby € 6.4 million above last year's level (€ 29.1 million). In the reporting year, expenses of € 5.2 million were recorded for external advisors in connection with the public prosecutor's investigations. These result from the investigations commissioned by the Supervisory Board and including legal and consultancy costs.

Income from profit and loss transfer agreements increased from € 88.2 million in the previous year to € 117.2 million in the reporting year.

The net financial costs were € -5.6 million (previous year: € -16.6 million). The improvement results principally from the prepayment costs of € 8.5 million which were incurred in relation to the premature redemption of the bond in 2008 and the financing at improved terms that was agreed in the financial year. The increased tax expense of € 25.9 million (previous year: € 20.9 million) results primarily from higher taxable income of the entity of fiscal unity of GILDEMEISTER Aktiengesellschaft in comparison with the previous year as well as tax provisions for previous years reported in the balance sheet.

The increase in tangible fixed assets is primarily due to additions for land and buildings at the Bielefeld site.

The increase in financial assets is as a result of the increase in the investment carrying amount in DMG Vertriebs und Service GmbH of € 17.0 million through a cash deposit and in GILDEMEISTER Beteiligungen AG of € 10.6 million through a claim deposit. This involves a capital increase to capital reserves according to Section 272 para. 2, no. 4 of the German Commercial Code (HGB).

Current assets increased compared to the previous year by a total of € 132.0 million to € 475.3 million. The rise was due mainly to an increase in liquid funds (+€ 144.3 million). To ensure our liquidity, given the background of the ongoing financial and banking crisis and in view of our widespread banking consortium, we decided in November 2008 to draw on the syndicated loan in cash practically in full and to invest the funds, avoiding risk as far as possible. Through this action our balance sheet has an extension of € 110 million, at the same time we have accepted an interest loss of about € 0.2 million to year-end.

Other provisions increased compared to the previous year by € 10.2 million to € 19.8 million. The main provisions involve variable wage components, legal and consulting expenses, personnel provisions and maintenance provisions.

The subordinated bond was redeemed prematurely by GILDEMEISTER as planned and was paid back in full in July 2008. We received the funds for the redemption payment from the issue of two borrower's notes, one with a volume of € 140 million and a term until 2013, as well as one with a volume of € 60 million and a term until 2015. Through this refinancing, in the future we will be able to achieve an interest advantage per year of € 5 million. Furthermore, within the refinancing framework, the banks for the syndicated loan waived the collateral of the shares in our subsidiary companies. The borrower's notes thus rank pari passu with the other financing. By refinancing, we have created a sound funding framework long-term.

The increase in credit liabilities results principally from drawing on the credit lines. Through the positive development of our financial position, we were able to further reduce net financial liabilities (debt) by € 18.1 million to € 119.1 million (previous year: € 137.2 million).

Total assets as at 31 December 2008 rose by 22.5% to € 885.5 million (previous year: € 722.9 million) and led to a lower equity ratio of 41.3% (previous year: 46.6%). Without an increase in liquid funds, the equity ratio would have improved compared to the previous year.

Dividend

Due to the positive business and profits development, the Executive Board and the Supervisory Board will propose to the Annual General Meeting of Shareholders, to be held on May 15, 2009, to distribute a dividend of € 0.40 per share for the financial year 2008.

Employees

As of December 31, 2008, GILDEMEISTER Aktiengesellschaft was divided into four executive units; which are organised as follows:

- _ Key Accounting / Personnel / Purchasing / Auditing / Compliance, Public and Investor Relations,
- _ Controlling / Finances / Taxes / Financial statements / Information technology (IT),
- _ Technology and Production and
- _ Sales and Services.

On December 31, 2008, GILDEMEISTER Aktiengesellschaft had 71 employees, five employees more than on December 31, 2007.

Research and Development

GILDEMEISTER Aktiengesellschaft is responsible for the research and development strategy. The research and development activities are conducted at the level of the group companies. Detailed information on research and development is included in the Group Management Report on page 75 et seq.

Corporate Governance

For years, a high value has been placed on good Corporate Governance at GILDEMEISTER and it is an integral part of the corporate management. All areas of the company are aligned with this benchmark. GILDEMEISTER has been complying with all the recommendations of the German Corporate Governance Code for years and continues to comply with all the recommendations, without change, even following the amendments passed by the Commission of the German Corporate Governance Code on 6 June 2008. The following declaration of compliance was issued by the Executive Board and Supervisory Board in December 2008; our shareholders may view it on our website at any time:

“GILDEMEISTER Aktiengesellschaft complies with all recommendations of the ‘Commission of the German Corporate Governance Code’ in the version of 6 June 2008 and has also complied with them since the issue of the last declaration of compliance on 31 December 2007.”

The joint goal of the Executive Board and Supervisory Board is a sustainable increase in enterprise value. The Corporate Governance Code is implemented at GILDEMEISTER through conscientious and transparent management, as well as by monitoring the group. We have adapted our internal corporate guidelines to comply with these rules and principles, and follow these in all areas of the group.

Remuneration of the Executive Board and Supervisory Board

Pursuant to clause 5.4.7 of the German Corporate Governance Code, we report on the remuneration of the Supervisory Board individually and broken down into components.

Remuneration of the Supervisory Board of GILDEMEISTER Aktiengesellschaft

The remuneration of the Supervisory Board is determined by the Annual General Meeting of shareholders and is regulated under Section 12 of the articles of association of GILDEMEISTER Aktiengesellschaft. The remuneration includes performance-related and non-performance related components. The remuneration components not dependent upon performance include the fixed remuneration that each member of the Supervisory Board receives and remuneration for committee work. The performance-related components comprise a short term incentive (STI) and a long-term incentive (LTI), which support a sustainable value-based management.

In the financial year 2008, the fixed remuneration for each individual member of the Supervisory Board was € 12,000; the chairman received 2.5-times that amount (€ 30,000) and the deputy chairman 1.5-times that amount (€ 18,000). The fixed remuneration therefore totalled € 168,000 (previous year: € 165,403).

Remuneration for committee work amounted to a total of € 109,877 (previous year: € 106,586) and took into account the work carried out by the Finance and Auditing Committee, the Personnel, Nominations and Remuneration Committee, and by the Technology and Development Committee. No remuneration was paid for work on the Conciliation Committee or on the Nomination Committee, which is a sub-committee of the Personnel, Nomination and Remuneration Committee. The individual committee members each received € 6,000. The chairperson of a committee also receives an additional fixed remuneration of a further € 6,000 and the deputy chairperson € 3,000.

The performance-related remuneration components, STI and LTI, are based on index-oriented target values. The earnings per share (EPS) are used as the performance-related index in both remuneration components. The EPS is a fixed index, by which a performance orientation is given under consideration of the respective share capital. It is calculated by dividing the annual profit, less the profit share of minority interests, by the weighted average number of shares. The STI and LTI are variable, which means they are not a secured remuneration. Again the Supervisory Board chairman receives 2.5-times the amount in each component and the deputy chairman 1.5-times the remuneration of the other members of the Supervisory Board. Both the STI and the LTI are capped at the level of the respective fixed remuneration.

The STI is only paid if, in the reporting year, the EPS amounts to at least € 0.15. The performance-based remuneration for the Supervisory Board calculated from the STI totalled € 168,000 (previous year: € 165,403). The LTI takes into account not only the reporting year but also the two previous years. The index is the mean average of the EPS values in the corresponding financial years. The LTI is only paid if the average EPS for the relevant three years amounts to at least € 0.15. The LTI calculated performance-based remuneration for the Supervisory Board totalled € 168,000 (previous year: € 144,727).

In 2008 the Supervisory Board remuneration was made up as follows:

REMUNERATION OF THE SUPERVISORY BOARD OF GILDEMEISTER AKTIENGESELLSCHAFT							
	Fixed Remuneration in €	Committee Remuneration Finance & Auditing (F&A) in €	Committee Personnel, Nomination Remuneration (PNR) in €	Committee Remuneration Technology & Development (T&D) in €	STI in €	LTI in €	Total in €
Hans Henning Offen Chairman SB, Chairman PNR	30,000	6,000	12,000	0	30,000	30,000	108,000
Prof. Dr.-Ing. Uwe Loos Chairman F&A	12,000	0	0	12,000	12,000	12,000	48,000
Günther Berger Chairman F&A	12,000	12,000	0	0	12,000	12,000	48,000
Dr.-Ing. Jürgen Harnisch Deputy Chairman T&D as of 16 May 2008	12,000	0	0	7,877	12,000	12,000	43,877
Dr. jur. Klaus Kessler	12,000	6,000	0	0	12,000	12,000	42,000
Prof. Dr.-Ing. Walter Kunerth	12,000	0	6,000	0	12,000	12,000	42,000
Gerhard Dirr Deputy Chairman SB, Deputy Chairman PNR, Member T&D until 16 May 2008	18,000	6,000	9,000	2,246	18,000	18,000	71,246
Wulf Bantelmann	12,000	0	0	6,000	12,000	12,000	42,000
Harry Domnik Deputy Chairman F&A	12,000	9,000	6,000	0	12,000	12,000	51,000
Norbert Zweng	12,000	6,000	0	0	12,000	12,000	42,000
Günther Johann Schachner	12,000	0	0	0	12,000	12,000	36,000
Rainer Stritzke Member SB until 16 May 2008	4,492	0	0	0	4,492	4,492	13,475
Matthias Pfuhl Member SB as of 16 May 2008 Member T&D as of 16 May 2008	7,508	0	0	3,754	7,508	7,508	26,279
Total	168,000	45,000	33,000	31,877	168,000	168,000	613,877

In the financial year 2008 the total remuneration of the Supervisory Board amounted to € 613,877 (previous year: € 582,119). Pursuant to Section 15a of the German Securities Trading Act (wPnG), members of the supervisory board or other persons subject to reporting requirements must disclose any purchase or disposal of shares, as well as any related rights of purchase or disposal, such as options or rights, which are directly dependent upon the quoted share price of the company.

In the reporting year, we received the following **director's dealings notification**, which has been published on our website:

DIRECTOR'S DEALING 2008						
Name	Function	Date	Type and place of transaction	Numbers of shares	Share price in €	Transaction volume in €
			Purchase of shares,			
Hans Henning Offen	Chairman SB	30.10.2008	Frankfurt	10,000	7.55	75,500

The members of the Supervisory Board together hold less than 1% of the total number of shares issued; no member of the Executive Board owns any GILDEMEISTER shares.

Insurance for Supervisory and Executive Board members of the GILDEMEISTER group

GILDEMEISTER has directors' and officers' liability insurance and legal expenses' insurance. Those covered by the insurance are all members of the Supervisory and Executive Boards, and managing directors. The D&O insurance provides for a reasonable retention amount.

Remuneration of the Executive Board of GILDEMEISTER Aktiengesellschaft

The structure of the remuneration system for members of the Executive Board is discussed and decided by the Personnel, Nomination and Remuneration Committee of the Supervisory Board. The chairman of the Supervisory Board has provided the Supervisory Board with detailed information on discussions held by the Committee. The chairman will also report on this to the Annual General Meeting.

Members of the Executive Board receive direct and indirect remuneration components, whereby the indirect components primarily consist of pension plan expenses. The direct remuneration of the Executive Board members of GILDEMEISTER Aktiengesellschaft contains fixed and variable components. The variable components comprise a short-term incentive (STI) and a long-term incentive (LTI). Both variable components are fixed in such a way that they represent a clear incentive for the board members to achieve the targets. In this way they support a sustainable and value-based corporate management. The criteria for the appropriateness of the remuneration include in particular the tasks rendered by each Executive Board member, his personal performance and the performance of the Executive Board, as well as the company's economic situation, success and future prospects within the scope of its comparative environment.

Direct remuneration of the members of the Executive Board amounted to € 7,441 K (previous year: € 5,407 K). Of this amount, € 1,328 K were attributed to fixed remuneration (previous year: € 1,297 K), € 6,000 K to the STI (previous year: € 4,000 K), and € 113 K as payment in kind (previous year: € 110 K). In 2008 the direct remuneration of the Executive Board was made up as follows:

EXECUTIVE BOARD DIRECT REMUNERATION	Fixed € K	STI* € K	Remuneration in kind € K	Total
				€ K
Dr. Rüdiger Kapitza, Chairman	455	1,500	37	1,992
Michael Welt	345	1,500	21	1,866
Günter Bachmann	252	1,500	30	1,782
Dr. Thorsten Schmidt	276	1,500	25	1,801
Total	1,328	6,000	113	7,441

* Previous year: Management bonus

The fixed remuneration is the contractually defined basic remuneration, which is paid in equal monthly amounts.

The STI is based on index aligned target values. In the reporting year, the earnings after taxes (EAT) provided the reference value used. The scale of the target values is redefined annually. In addition, this is capped at € 1,500 K, respectively, for 2008. The cap is also fixed anew each year. Should the EAT not reach a fixed value that is also set annually, the STI is not paid.

As a remuneration component with long-term incentive effect, the LTI combines the achievement of fixed targets in relation to the EBIT of the company with the performance of the GILDEMEISTER share. This involves a performance-units plan which is comparable to virtual shares and which does not include any dividend payments or voting rights. In addition, the units may not be traded nor sold to third parties. The performance units awarded at the beginning of each year have a term of three years. The first performance units awarded following the model for the year 2007 will thus be allocated on 31 December 2009 and, following the Annual General Meeting of Shareholders in 2010, will be paid out on the basis of the EBIT target achieved in the allocation year 2009 and the corresponding share price. The performance units awarded for the financial year 2008 will be allocated on 31 December 2010 and, following the Annual General Meeting of Shareholders in 2011, will be paid out taking into account the EBIT target achieved in 2010 and the respective share price. A cap has been set at 2-times the annual fixed salary of each Executive Board member per tranche for the year in which the award takes place. The following table shows the number of performance units awarded in 2007 and in 2008 and the amount of the provisions for each Executive Board member.

NUMBER OF PERFORMANCE-UNITS	Tranche 2008		Tranche 2007	
	Number of performance units awarded Shares	Amount of provisions as at 31 Dec. 2008 € K	Number of performance units awarded Shares	Amount of provisions as at 31 Dec. 2008 € K
Dr. Rüdiger Kapitza, Chairman	10,422	81	14,401	110
Michael Welt	7,817	61	11,521	88
Günter Bachmann	7,817	61	11,521	88
Dr. Thorsten Schmidt	7,817	61	11,521	88
Total	33,873	264	48,964	374

Both the STI and the LTI are variable, which means neither is a secure remuneration. Remuneration in kind arises mainly from amounts for the use of company cars, which will be assessed in accordance with applicable tax regulations, and individual insurance contributions. Every member of the Executive Board is contractually entitled to remuneration in kind, which may vary depending on the personal situation and is subject to tax payable by each Executive Board member.

Pension commitments for members of the Executive Board are primarily implemented through a contribution-based pension plan. A defined-benefit pension commitment exists for the chairman of the Executive Board.

INDIRECT REMUNERATION FOR EXECUTIVE BOARD MEMBERS		€ K
Dr. Rüdiger Kapitza, Chairman		72
Michael Welt		143
Günter Bachmann		60
Dr. Thorsten Schmidt		50
Total		325

In 2008, provision expenses of € 72 κ (previous year: € 213 κ) arose for the defined-benefit contribution commitment. Payments restricted to the defined contributions pension plan amounted to € 253 κ (previous year: € 155 κ).

Advances and loans, or declarations of liability, in favour of the members of the Executive Board – or for the rest also in favour of members of the Supervisory Board – were not granted. There was no share option plan or similar securities based incentive system.

The companies of the GILDEMEISTER group did not pay any remuneration to officers for services personally rendered, in particular consulting and introduction services. An amount of € 597 κ was paid to former members of the Executive Board and their surviving dependants (previous year: € 587 κ). Pension obligations for former members of the Executive Board and their surviving dependants amounted to € 5,963 κ (previous year: € 5,958 κ).

Opportunities and Risk Report

For GILDEMEISTER, risk management is a fundamental cornerstone of the management system, which makes a decisive contribution to the earliest possible identification of possible deviations from defined target values and permits appropriate action to be taken. These deviations may be positive (opportunities) as well as negative (risk). The Executive Board has defined the opportunities and risk management system in general principles and guidelines, and specific codes of behaviour, which are supported by control measures, ensure that the risk management is active in the current structures.

GILDEMEISTER is globally positioned and operates worldwide. For this reason, the expected returns as well as opportunities and risks must be constantly weighed. Opportunities and risks are evaluated and the expected returns are weighed against them. Should the returns appear to be unfavourable or certain limits appear to be threatened, the corresponding activity will not be approved. Our group wide risk management system allows us to identify and classify

opportunities and risks at an early stage. In principle, our system accesses the group's existing organisational, reporting and management structures, and supplements these with specific elements. The opportunities and risk management system comprises five elements:

1. the company-specific Risk Management Manual, in which the system is defined,
2. a central Risk Management Representative, who is supported by a local Risk Representative from each group company, and who updates the risk management system (including software),
3. area-specific risk schedules, in which individual risks are quantitatively assessed and the risks are ranked, which is carried out by value-at-risk as a measure of risk,
4. the general internal divisional and cross-divisional reporting structure of the group, which is governed by thresholds and is also supported by ad hoc reports on significant risks,
5. the risk reporting system at the group level and at the individual company level.

Even opportunities, such as positive deviations from budget, are identified and analysed within the opportunities and risk management system. Changes in the price of materials, for example, are simulated in various scenarios as an increase or reduction. The marketing information system (MIS) identifies significant individual opportunities by collecting all customer data worldwide and evaluates market and competitor data. We coordinate our sales and service activities and interactive marketing measures with market-specific segmentation of the MIS data in such a way that our intended market penetration and the targeted deployment of our sales force are ensured. On this basis we measure, evaluate and check all measures for effectiveness and cost-efficiency. This allows us to draw up short-term and medium-term forecasts on expected customer orders per machine type and sales region.

The risk management system at GILDEMEISTER is structured in such a way that significant risks must be systematically identified, assessed, aggregated, monitored and notified. The risks in the individual company division are identified in this way every quarter and the risk potential that is determined as a result is analysed and evaluated using quantitative indicators. If it is possible to offset a risk reliably using effective countermeasures, only the residual risk is presented following the measures introduced ("net risk"). We pay special attention to risks that could endanger an individual company or the group as a going concern, that is, if the possible amount of loss exceeds equity by 50% or more. The Executive Board and Supervisory Board are regularly informed of the current risk position of the group; any substantial risks are notified immediately, independently of the scheduled regular reporting. We determine the individual local and central risks as well as the effect on the group, in order to present the overall risk situation of the group:

- _ Local risks are individual risks that the group companies are exposed to and that can be assessed locally. Such risks are to be documented, assessed and monitored by each group company in the form of risk schedules.
- _ Central risks are risks that, at least in part, can only be assessed centrally. These include, for example, risks arising out of the group's financing.
- _ Group effects usually arise from consolidation requirements; these include, for example, the double counting of risks, which correspondingly are then adjusted.

Limiting risks arising out of financing and valuation is one of the core tasks of GILDEMEISTER Aktiengesellschaft. Currency-related risks arise out of our international activities, which we safeguard within the scope of our currency strategy. For this purpose the hedging instruments permitted are specified in a currency guideline. These hedging instruments are used exclusively to safeguard underlying transactions but not for trading or speculative purposes. More detailed information in this respect is given in the Notes for the financial year on page 23 as well as in the Notes to the Consolidated Financial Statements on page 61. According to our evaluations, currency-related risks are low. Our outside financing is secured long-term through the issue of borrower's note loans with a term of five and seven years, thus until 2013 and 2015, respectively. There is no risk of interest rate changes from this financing as a fixed interest rate has been agreed by means of a hedging instrument (SWAP). In addition, we have a syndicated loan facility with a total volume of € 175 million, which will mature in June 2011. For the syndicated loan there is a bank risk on the part of the financing that is not used. All financing agreements include a customary agreement on compliance with covenant key indicators. A counterparty risk exists in the hedging activities in the interest rate and currency area with respect to the banks, who are partners to the agreement. We have carefully selected our banks. The risks from financing are controllable. Possible losses amount theoretically to about € 14 million. The probability of occurrence of damages is slight. GILDEMEISTER has not registered any direct losses caused by the financial crisis.

Risks with respect to the assets of GILDEMEISTER Aktiengesellschaft arise mainly through the accounting and assessment of financial assets. Financial assets are accounted for at purchase cost or with the lower of fair value. The value retention of financial assets is determined annually with the aid of the capitalised income value calculation, which is based on the budget overview of the investment companies. Due to the values determined, there was no need for devaluation at the reporting date. In the event that the planned results are not achieved, devaluation to the lower of fair value may be required. Currently, the present budget overviews do not provide any reason for impairment in 2008.

The risks are thus controllable and the continued existence of the GILDEMEISTER group as a going concern is not at risk from today's perspective. In view of the continuing negative economic outlook, however, an increase in risks cannot be excluded. We report in detail on the opportunities and risks within the group in the group management report on page 100 et seq.

Statements in accordance with Section 289 paragraph 4 German Commercial Code (HGB) as amended by the Takeover Directive Implementation Act

The adoption of the Takeover Directive Implementation Act in July 2006 has resulted in an amendment to Section 289 of the German Commercial Code (HGB), which has been extended to include a new paragraph 4. As a result, GILDEMEISTER must provide the following supplementary information according to Section 289, paragraph 4, German Commercial Code (HGB) in the management report:

Under Section 289 paragraph 4, no. 1 HGB

The registered capital of GILDEMEISTER Aktiengesellschaft amounts to € 112,586,507.80. It is divided into 43,302,503 owner shares with an accounting par value of € 2.60 per share.

Under Section 289 paragraph 4, no. 6 HGB

With respect to the appointment and dismissal of members of the Executive Board, reference is made to the statutory provisions in Sections 84 and 85 of the German Companies Act (AktG). Moreover, this authority is specified to that effect in Section 7 para. 2 of the Articles of Association of GILDEMEISTER Aktiengesellschaft as amended in May 2008, by which the Supervisory Board appoints the members of the Executive Board, determines their number and assigns their duties. The provisions on amendments to articles of association are regulated in Sections 133 and 179 of the German Companies Act in conjunction with Section 15 (4) of the Articles of Association.

Under Section 289 paragraph 4, no. 7 HGB

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to € 56,000,000.00 in nominal terms during the period until 15 May 2010 by issuing new owner shares for contributions in cash and/or in kind (authorised capital).

Furthermore, the company is authorised to purchase its own shares up to a proportional amount of just 10% of the equity capital, this corresponds to € 11,258,650.00. This authorisation is to allow the company to have its own shares available at short notice, without having to have recourse to the stock markets, in order to purchase companies or investments in other companies and to offer these shares to the seller as consideration. The Executive Board is authorised to issue shares to company employees and companies affiliated with the company with respect to a partial amount of € 5,000,000.00. The shareholders' statutory subscription rights are excluded to this extent.

In addition the Executive Board is authorised, with the approval of the Supervisory Board, to exclude the shareholders' statutory rights in certain cases that are stipulated in detail in the Articles of Association.

Moreover there has been a contingent increase in the registered capital up to a further € 37,500,000.00 through the issue of up to 14,423,076 individual shares in the name of the holder (contingent capital I). The conditional capital increase is to be effected only insofar as the options or conversion rights relating to warrant or convertible bonds, issued or guaranteed pursuant to the authorisation resolution of the Annual General Meeting of Shareholders of 14 May 2004, in the period until March 31, 2009 are exercised or any conversion obligation or obligation to exercise an option under the aforementioned bonds are fulfilled.

Under Section 289 paragraph 4, no. 8 HGB

The main agreements, which are subject to a change of control condition as a result of a takeover offer, are the syndicated loan agreement of € 175 million and the borrower's notes with a total volume of € 200 million of GILDEMEISTER Aktiengesellschaft. In the event of a change of control (acquisition of 50% or more of the voting rights), the repayment of the syndicated loan (if necessary, also in part payments) or the repayment of the borrower's notes may be requested.

For more details we refer to the corresponding information in the Notes to the Consolidated Financial Statements.

In addition, the legislator has resolved that the Executive Board shall issue an explanatory report on the information given pursuant to Section 289 paragraph 4 HGB:

As at 31 December 2008, the registered capital of the company amounts to € 112,586,507.80 and is distributed in 43,302,503 individual shares in the name of the holder. Each share has a voting right and is the determining factor for the share of profits.

The company is managed by the Executive Board and is represented by the Executive Board towards third parties. The appointment and revocation of appointment of members of the Executive Board is the responsibility of the Supervisory Board pursuant to Section 84 of the Companies Act (AktG).

The most recent amendment to the Articles of Association took place within the scope of the 106th Annual General Meeting of Shareholders on 16 May 2008, when Section 16 of the Articles of Association was amended.

In the reporting year, the Executive Board did not exercise the above-referred authorisation.

The conditions for a change of control comply with the customary agreements. They do not lead to an automatic termination of the above-referred agreements but, in the event of a change of control, merely grant our contractual partners the possibility of terminating these, if necessary.

Events occurring after the close of the reporting year

Since the start of the new financial year to the date of this management report, no events have occurred that are subject to reporting requirements.

Forecast

In the opinion of economic experts, the global economy in the current financial year will become significantly weaker due to the general economic crisis. The German Engineering Federation (VDMA) is expecting a marked decline in the market in its forecasts and the German Machine Tool Builders Association (VDW) is also expecting a global decline in the machine tool business. The current forecasts of the ifo Institute and the VDW expect a reduction in production output and market volume of 15% on a value basis. Therefore we are also expecting a decline in sales revenues in the industry of 15%.

For the financial year 2009, we have prepared our company for the expected development and are continuously aligning the company with the requirements that result out of the economic crisis. With our innovative products and global presence, we are well-prepared for the coming changes in the machine tool business. GILDEMEISTER has a good financial base, a sound foundation and a clear corporate strategy. The machine tool business will decline in 2009, the service business will remain stable and, in the solar business, we are expecting positive development where project financing is secured. This development will have an effect on the sales and results development at our subsidiaries and thus on the results of operations, net worth and financial position of GILDEMEISTER Aktiengesellschaft. The extent of the worldwide economic crisis, its length and effects on GILDEMEISTER cannot be planned for with sufficient certainty at the present time for the financial year 2009.

Disclaimer: With respect to statements relating to the future, we would like to point out that the actual events may differ significantly from the expectations of foreseeable development, if one of the mentioned or other uncertainty should occur or if the underlying assumptions on which the statements are based should prove to be unfounded.

A. General Declaration

The Annual Financial Statements of GILDEMEISTER Aktiengesellschaft for the year ending 31 December 2008 were prepared in compliance with the regulations stipulated in the German Commercial Code (HGB) and the German Companies Act (AktG). The form of the previous year's statement, particularly the subdivision of the Balance Sheet and the Income Statement, has been retained.

B. Accounting and Valuation Principles

The intangible assets and tangible fixed assets were shown at their acquisition costs, reduced by scheduled depreciation/amortisation. For depreciation the straight line method was applied in accordance with the useful life expectancy.

USEFUL LIFE OF ASSETS

Intangible assets	3 to 4 Years
Office and factory buildings	10 to 50 Years
Factory and office equipment	5 to 13 Years

Depreciation of additions to intangible assets and fixed assets was carried out in the year of acquisition pro rata temporis according to straightline method depreciation. Additions with procurement costs of € 150 to € 1,000 were combined in a compound item and were depreciated over five years. The method of depreciation has not changed since the previous year, with the exception of the treatment of low-value assets. The rates of depreciation/amortisation also remained unchanged with respect to intangible assets, office and factory buildings, and factory and office equipment. Financial assets are recognised on the balance sheet at their acquisition costs or the lower fair value.

Receivables and other assets with a term of up to one year were recognised at face value, receivables and other assets with a term of more than one year were recognised in the balance sheet at their present value. Receivables in foreign currencies were translated at the exchange rate at the reporting date. If the exchange rate at the reporting date falls below the rates prevailing at the time of origination, receivables are adjusted to the lower exchange rate at the reporting date.

Securities in current assets are valued at purchase costs.

The valuation of company pension provisions was carried out on an actuarial basis in accordance with Section 6a EstG (German Income Tax Law) with an assumed rate of interest of 6% p.a. For this purpose, the reference tables by Prof. Dr. Klaus Heubeck that were published in July 2005 were used as a basis. The pensions are not insured by an external pension fund. Provisions for obligations arising from old-age part-time agreements include expenses for wage and salary payments to employees during the pre-retirement lay-off phase and additional compensation. Furthermore, the provision comprises accumulation benefits which, on the basis of a collective pay agreement or a works agreement, the employer cannot avoid. The provision is based on a 100% probability of the employees generally entitled to the benefit (up to a 5% cap) making a claim. These provisions are accumulated proportionally

from the start of the active part of the part-time retirement and assessed at cash value. Part-time retirement claims are safeguarded against possible insolvency within the framework of a double fiduciary relationship. For safeguarding, liquid funds are transferred to a fiduciary association. The remaining provisions were assessed so that they take into account all identifiable risks and contingent obligations. The valuations were made on the basis of proper commercial judgement. In each case the anticipated cost of fulfilment was taken into account. Provisions for employee anniversary bonuses were discounted at an interest rate of 5.5% p.a.

Liabilities are assessed at their amounts repayable.

C. Notes to individual balance sheet items

Assets

The movements of the individual fixed assets are set out in the fixed-asset movement schedule, which is attached.

- 1 INTANGIBLE ASSETS AND FIXED ASSETS** The value shown for industrial property rights and similar rights includes mainly data processing software. Land and buildings are mortgaged for the security of long-term bank loans.
- 2 FINANCIAL ASSETS** The changes in financial assets of GILDEMEISTER Aktiengesellschaft are set out in the Balance Sheet supplement. The companies included in the “Shares in affiliated companies” account, and the corresponding information on principal places of business, equity capital, capital shares and results as of 31 December 2008 are set out in a separate summary at the end of the Notes. In the financial year 2008, GILDEMEISTER Aktiengesellschaft made deposits to the capital reserves through the contribution of claims against GILDEMEISTER Beteiligungen AG of a total of € 10,575 κ as well as executing capital increase in cash of a total of € 16,988 κ to the capital reserves of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER. These deposits increase the carrying amount of the investments by the corresponding amount.

GILDEMEISTER Aktiengesellschaft has concluded control and profit and loss transfer agreements with the following companies:

- _ GILDEMEISTER Beteiligungen AG
- _ DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER.

- 3 RECEIVABLES AND OTHER ASSETS** Amounts owed by affiliated companies of € 272,264 κ (previous year: € 289,604 κ) are primarily due to profit and loss transfer agreements, and costs and finances allocations. Other assets include, amongst others, asset values from reinsurance for the social protection of employees of € 2,142 κ (previous year: € 3,031 κ), receivables from derivatives of € 1,075 κ (previous year: € 224 κ) and tax refund claims of € 2,466 κ (previous year: € 2,621 κ).

Other assets to a value of € 2,142 κ (previous year: € 3,031 κ) have a residual term of more than one year.

4 SECURITIES	These involve federal treasury warrants with a term until 13 March 2009.
5 CASH ASSETS, BANK BALANCES	The statement pertains mainly to bank balances.
6 PREPAID EXPENSES	The deferred expenses and accrued income under assets mainly involves the allocation of the costs of the Federal Financial Supervisory Authority (BaFin) for the balance sheet control for 2009.

Equity and liabilities

7 EQUITY **Subscribed capital**

The company's share capital is € 112,586,507.80. It is divided into 43,302,503 owner shares with an accounting par value of € 2.60 per share.

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to € 56,000,000.00 in nominal terms during the period until 15 May 2010 by issuing new owner shares for contributions in cash and/or in kind (authorised capital). This authority can be exercised on one occasion or, in partial amounts, on more occasions.

The new shares may be taken over by one or more banks designated by the Executive Board, with the obligation to offer them to the shareholders for subscription (direct subscription right).

The Executive Board is authorised to issue shares to company employees and companies affiliated with the company with respect to a partial amount of € 5,000,000.00. The shareholders' statutory subscription rights are excluded to this extent.

In addition, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude the shareholders' statutory rights in the case of:

- a) capital increases through non-cash capital contribution so as to acquire, in applicable cases, companies, sections of a company or participating interests in companies for the transfer of shares,
- b) to the extent required for dilution protection purposes, in order to grant the holders of warrants or the creditors of convertible bonds issued by the company or its associated companies as part of an authorisation of the Board by the general meeting of shareholders, a subscription right to new shares to the extent they would be entitled to following the exercising of the option or conversion right or the fulfilment of conversion obligations,
- c) to exclude any residual amounts from the subscription right, and
- d) capital increase through cash contribution, if the issue price of the new shares is not significantly lower than the exchange price at the time the issue price is finally defined by the Executive Board within the meaning of section 203 paragraphs 1 and 2, section 186 paragraph 3 sentence 4 of the German Companies Act (AktG), and the prorated amount of the share capital relating to the new shares that are subject to the exclusion of the subscription right, in aggregate does not exceed 10% of the share capital at the time the new shares are issued. The limit of 10% of the registered capital includes

shares that are sold during the lifespan of the authorised capital to the exclusion of the shareholders' subscription rights pursuant to section 71 paragraph 1, no. 8 sentence 5 and section 186 paragraph 3 sentence 4 of the German Companies Act (AktG), and shares with respect to which a conversion right or option right or a conversion obligation or option obligation due to option and/or convertible bonds exists and that were issued by virtue of authorisation of the general meeting of shareholders from 14 May 2004 to the exclusion of the subscription right pursuant to section 221 paragraph 4 and Section 186 paragraph 3 sentence 4 of the German Companies Act (AktG). The Executive Board is authorised, with the approval of the Supervisory Board, to lay down further details for the capital increase and its implementation.

The share capital has been conditionally increased by up to a further € 37,500,000.00 through the issue of up to 14,423,076 owner shares (conditional capital I). The conditional capital increase is to be effected only insofar as the options or conversion rights relating to warrant or convertible bonds, issued or granted by the company or a 100% indirect or direct holding company of the company pursuant to the authorisation resolution passed at the Annual General Meeting of Shareholders held on 14 May 2004, in the period until 31 March 2009, are exercised, or any conversion obligation or obligation to exercise an option under the aforementioned bonds are fulfilled. The new shares will be issued at an option or conversion price to be determined in accordance with the above named authorising resolution. The new shares will profit as of the beginning of the financial year, in which they are issued following the exercising of options or conversions rights, or the fulfilment of conversion or option obligations. The Executive Board is authorised, with the approval of the Supervisory Board, to lay down further details for the implementation of the conditional capital increase.

Capital provisions

The capital provisions of € 71,297,862 have not changed since the previous year.

Revenue reserves

Statutory provisions

The statutory provisions of € 680,530 have not changed since the previous year.

Other revenue provisions

Due to the transfer of € 22,000,000 of the annual profit to other revenue provisions, these provisions increased to € 155,532,902.

Proposed appropriation of earnings

The financial year 2008 of GILDEMEISTER Aktiengesellschaft closes with a profit for the year of € 44,010,236.48. It will be proposed to the Annual General Meeting of Shareholders on 15 May 2009 that following the transfer of € 22,000,000 to other revenue provisions, and taking into account the profit carry forward of the previous year of € 3,506,170.60, the remaining profit of € 25,516,407.08 be appropriated as follows:

- _ the distribution of € 17,321,001.20 to the shareholders by payment of a dividend of € 0.40 per share,
- _ to carry the remaining balance of € 8,195,405.88 forward to new account

DEVELOPMENT OF THE NET RETAINED PROFITS		€ k
Net retained profit as of 31 Dec. 2007		18,662
Distribution		-15,156
Retained profits brought forward		3,506
Net income 2008		44,010
Appropriation to other revenue reserves		-22,000
Net retained profits at 31 Dec. 2008		25,516

8 TAX PROVISIONS Tax provisions include liabilities for corporation tax of € 3,772 k, trade tax of € 3,341 k and provisions for other taxes of € 13 k (previous year: € 33 k).

9 OTHER PROVISIONS Other provisions mainly include profit-sharing payments of € 7,702 k (previous year: € 5,735 k), expenses for other personnel benefit expenses in an amount of € 3,690 k (previous year: € 739 k), of which € 2,760 k for severance payments. Legal, consulting and year end closing costs of € 2,900 k (previous year: € 1,900 k), anticipated losses of pending business € 913 k (previous year: € 18 k), maintenance provisions of € 1,952 k and other provisions in an amount of € 2,691 k (previous year: € 600 k).

10 LIABILITIES

	Reported in the Balance sheet as at 31 Dec. 2008 € k	Of which Residual term up to 1 Year € k	Of which Residual term 1 to 5 Years € k	Of which Residual term more than 5 Years € k	Reported in the balance sheet as at 31 Dec. 2007 € k
1. Bond	0	0	0	0	183,531
2. Borrower's notes	200,000	0	140,000	60,000	0
3. Bank loans and overdrafts ¹⁾	110,876	110,074	327	475	1,116
4. Trade payables	3,252	3,252	0	0	1,973
5. Liabilities to affiliated companies	157,968	157,968	0	0	151,725
6. Other Liabilities ²⁾	6,655	6,655	0	0	17,116
	478,751	277,949	140,327	60,475	355,461
Outstanding in each maturity period at 31 Dec. 2007		354,587	310	564	355,461

¹⁾ of which secured by mortgages: € 874 k (previous year: € 1.116 k)

²⁾ of which from taxes: € 4.897 k (previous year: € 9.052 k), of which social security contributions: € 0 k (previous year: € 4 k)
of which accrued interest payments: € 1.714 k (previous year: € 8.018 k)

The subordinated bond was redeemed prematurely by GILDEMEISTER and was paid back in full in July 2008. GILDEMEISTER Aktiengesellschaft received the funds for repayment from drawing on two borrower's notes, one with a volume of € 140 million and a term until 2013, as well as one of a volume of € 60 million and a term until 2015. Moreover, the banks for the syndicated

loan within the scope of the re-financing waived the right to collateral of the shares in our subsidiaries. The borrower's notes thus rank pari passu with the other financing.

Short-term and medium-term working capital requirements for GILDEMEISTER Aktiengesellschaft, and – within the scope of the group in-house cash management – for the majority of the domestic subsidiaries, are covered for the most part by a syndicated loan agreement. The syndicated loan agreed on 30 June 2006 has a term until 30 June 2011 and a volume of € 175 million. The credit volume is divided into two different tranches, which differ in their amount, usability and term, withdrawal modalities and agreed interest rates. The group companies, GILDEMEISTER Drehmaschinen GmbH, DECKEL MAHO Pfronten GmbH, DECKEL MAHO Seebach GmbH, DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, GILDEMEISTER Italiana S.p.A., FAMOT Pleszew S.A. and GILDEMEISTER Partecipazioni S.r.l. are guarantors both within the scope of the borrower's notes as well as of the loan agreement.

The main financing includes customary agreements on compliance with defined key indicators (covenants). As at 31 December 2008, GILDEMEISTER had complied with all contractual obligations.

11 CONTINGENCIES AND OTHER
FINANCIAL OBLIGATIONS

At the balance sheet date the following contingencies and other financial obligations existed, shown at their face value:

CONTINGENCIES	Status 31 Dec. 2008 € K	Status 31 Dec. 2007 € K
Guarantees	220,146	211,109
Warranties	10,283	9,908
	230,429	221,017
OBLIGATIONS FROM TENANCY AND LEASE AGREEMENTS DUE		
within 1 year	554	1,057
within 1 to 5 years	1,181	1,480
after 5 years	127	380
	1,862	2,917

The guarantees of GILDEMEISTER Aktiengesellschaft include maximum-amount guarantees of € 36,760 K (previous year: € 62,862 K). The value date of the liabilities to banks pertaining to guarantees was fixed at 31 December 2008 at an amount of € 27,407 K (previous year: € 26,972 K). At the balance sheet date GILDEMEISTER Aktiengesellschaft is jointly and severally liable for liabilities of € 32,189 K (previous year: € 29,839 K).

The guarantees of GILDEMEISTER Aktiengesellschaft also include guarantees for affiliated companies for contingent claims of a factoring bank amounting to € 7,219 K (previous year: € 4,858 K).

Advance customer payment guarantees of € 35,801 K (previous year: € 41,788 K) were given to several group companies.

Moreover, GILDEMEISTER Aktiengesellschaft also has a guarantee line, which can be used for advance and performance guarantees of the domestic subsidiaries with secondary liability of GILDEMEISTER Aktiengesellschaft. On 31 December 2008 the amount used was € 142,938 K (previous year: € 124,615 K).

Moreover, GILDEMEISTER Aktiengesellschaft has issued comfort letters for DMG Europe Holding GmbH, Sauer GmbH, a+f GmbH and DMG Benelux B.V. in an amount of € 12,185 κ. The liabilities in this respect were valued at € 2,837 κ as at 31 December 2008.

In addition, GILDEMEISTER Aktiengesellschaft has entered into two building leasing arrangements for DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Leonberg, and DMG Frankfurt am Main Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bad Homburg. The monthly rental interest on these agreements amounts to € 105 κ. These agreements have a term until 2024.

12 DERIVATIVE FINANCIAL INSTRUMENTS

The face and fair market values of derivative financial instruments existing at the balance sheet date are set out below:

	Nominal volume		Fair value	
	31 Dec. 2008 € κ	31 Dec. 2007 € κ	31 Dec. 2008 € κ	31 Dec. 2007 € κ
Forward exchange contracts	174,853	64,806	1,295	688
Currency swaps	200,000	0	-15,522	0
	374,853	64,806	-14,227	688

The nominal value corresponds to the total of all sale and purchase amounts of derivative financial transactions. The fair market values shown correspond to the price at which third parties would assume the rights or obligations arising from the financial instruments. The fair market values are the current values of the derivative financial instruments excluding any adverse trends in value from underlying transactions. The fair market values of the derivative financial instruments used are determined on the basis of quoted market prices or through accrual methods based on customary models.

The fair market values of the forward exchange contracts are balanced at € 1,295 κ and comprise positive market values of € 5,695 κ and negative market values of € 4,400 κ. If the pre-conditions exist, the forward exchange contracts are combined in valuation units per currency. Due to the negative fair market values after forming the valuation units, a provision of € 913 κ (previous year: € 18 κ) for anticipated losses related to incomplete contracts was made on 31 December 2008.

GILDEMEISTER Aktiengesellschaft enters into intragroup forward exchange contracts with the product and production plants to the value of anticipated cash flows from order intake. The anticipated cash flows are hedged externally with financial institutes.

The conclusion and processing of derivative financial instruments is based on binding internal regulations defining scope, responsibilities, reporting and controlling.

The forward exchange contracts undertaken report a residual term of up to two years and serve to hedge foreign currency receivables to group companies in USD, CAD, SGD, JPY and AUD. Interest rate swaps for a nominal total volume of € 140,000 κ were concluded at a secured interest rate of 4.98% up to 5.02% with a term to 29 May 2013. The interest rate swaps bind GILDEMEISTER to pay a fixed interest rate for the term on the volume concluded. As a set-off GILDEMEISTER receives a EURIBOR 6-month rate payment from the contractual partner to the interest rate swap.

In addition, GILDEMEISTER has concluded an additional interest rate swap for a nominal volume of € 60,000 κ and a fixed interest rate of 4.79% with a term until 29 May 2015. The interest rate swaps bind GILDEMEISTER to pay a fixed interest rate for the term on the volume concluded. As a set-off, GILDEMEISTER receives a EURIBOR 6-month rate payment from the contractual partner to the interest rate swap.

D. Notes to individual items in the Income Statement

13 SALES REVENUES Sales revenues of € 14,996 κ (previous year: € 13,146 κ) primarily pertain to sales arising from the group-wide holding functions.

14 OTHER OPERATING INCOME Other operating income consists mainly of income from cost allocation and refund of expenses as well as exchange rate and currency gains. In addition, earnings from the dissolution of provisions of € 382 κ (previous year: € 112 κ) are included.

15 PERSONNEL COSTS In the financial year 2008, the employee pension plan contributions amounted to € 2,265 κ (previous year: € 2,478 κ). In the financial year 2008, direct remuneration of the members of the Executive Board amounted to € 7,441 κ (previous year: € 5,407 κ). Of this, € 1,328 κ (previous year: € 1,297 κ) was attributed to the fixed remuneration, € 6,000 κ to the Short-Term-Incentive“ (previous year: € 4,000 κ), and € 113 κ to remuneration in kind (previous year: € 110 κ). In addition, an amount of € 325 κ (previous year: € 760 κ) was spent on pension commitments. Former members of the Executive Board and their surviving dependants received € 597 κ (previous year: € 587 κ). Pension provisions for former members of the Executive Board and their surviving dependants amounted to € 5,963 κ (previous year: € 5,958 κ). Personnel expenses include expenses relating to other periods in an amount of € 2,760 κ.

Advances and loans to officers were not granted. No liability arrangements were entered into in favour of any officers (Section 285 no. 9c HGB).

In comparison with the previous year, the average number of persons employed has developed as follows:

	2008	2007
Salary earnings	70	66

16 OTHER OPERATING EXPENSES Other operating expenses result amongst others from external services of € 4,880 κ (previous year: € 5,240 κ). Expenses for legal and consultancy fees and costs for the preparation of accounts in an amount of € 9,723 κ (previous year: € 2,872 κ) have mainly risen due to one-off expenses for external advisors. Furthermore, investor and public relations expenses of € 3,317 κ (previous year: € 2,870 κ) and travelling and entertaining expenses of € 1,730 κ (previous year: € 1,796 κ), rental and lease expenses of € 955 κ (previous year: € 870 κ) and costs of money transactions and capital procurement of € 1,796 κ (previous year: € 251 κ), mainly caused by drawing on the borrower's notes, were recognised. Exchange rate and currency losses of € 7,791 κ are set off against € 1,503 κ exchange rate and currency gains.

Auditor's fees and services

In the financial year 2008, the fees of the auditor of the Financial Statements, KPMG AG Wirtschaftsprüfungsgesellschaft (formerly KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft), Berlin, amounted to € 373 κ (previous year: € 333 κ) and include the fees and expenses for the statutory audit of the annual and consolidated financial statements. In addition, for other confirmation or assessment services € 3 κ (previous year: € 3 κ) and other services of € 599 κ (previous year: € 170 κ) were also charged to expenses.

Remuneration of the Supervisory Board

In the financial year 2008, € 614 κ (previous year: € 582 κ) were transferred to provisions for Supervisory Board members' remuneration. Further details on the remuneration of the Supervisory Board are given in the Group Management Report.

17 INCOME FROM PROFIT AND LOSS TRANSFER AGREEMENTS	The income from profit and loss transfer agreements of GILDEMEISTER Aktiengesellschaft of € 117,187 κ (previous year: € 88,166 κ) was accounted for by two affiliated companies.
18 OTHER INTEREST AND SIMILAR INCOME	In the reporting period affiliated companies were charged interest to the value of € 23,087 (previous year: € 19,940 κ).
19 INTEREST AND SIMILAR EXPENSES	The interest expense of € 29,244 κ (previous year: € 36,734 κ) includes interest of € 7,346 κ (previous year: € 6,736 κ), charged by the affiliated companies. The remainder of the interest expenses are essentially interest on liabilities to banks.
20 TAXES ON INCOME AND EARNINGS	Taxes on income and earnings includes expenses unrelated to the accounting period in an amount of € 1,806 κ (previous year: € 2,120 κ) and income unrelated to the accounting period in an amount of € 352 κ (previous year: € 379 κ).
21 DECLARATION OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF PRACTICE	The declaration of compliance in accordance with Section 161 German Companies Act (AktG) was issued on December 2008 and has been made permanently accessible to shareholders on our website www.gildemeister.com .

E. Corporate Directory

- Supervisory Board mandate pursuant to Section 100 AktG (German Companies Act)
- * Member of comparable domestic and foreign control bodies of business enterprises

Supervisory Board

Hans Henning Offen,

Großhansdorf, born 1940, Chairman,
Independent Industry Consultant,

- Lindner Hotels AG, Düsseldorf,
member of the Supervisory Board
- * Schwarz Beteiligungs GmbH,
Neckarsulm, Member of the Advisory Board
- * Familienstiftung Schwarz, Neckarsulm,
member of the Supervisory Board
- * Kaufland Stiftung & Co. KG, Neckarsulm,
member of the Supervisory Board
- * Lidl Stiftung & Co. KG, Neckarsulm,
member of the Supervisory Board
- * Heckler & Koch GmbH, Oberndorf am Neckar,
Chairman of the Advisory Council
- * Alpha-Stiftung, Dresden, Stiftungsrat
- * LD-Stiftung, Dresden, Board of Trustees
- * Bürgerstiftung Stormarn, Bad Oldesloe,
member of the Executive Board

Gerhard Dirr,

Vils/Austria, born 1964,
Deputy Chairman,
Head of Facility Management at DECKEL MAHO
Pfronten GmbH, Pfronten

Wulf Bantelmann,

Bielefeld, born 1947,
Chairman of the Works Council at GILDEMEISTER
Drehmaschinen GmbH, Bielefeld

Günther Berger,

Munich, born 1948,
Independent Industry Consultant,

- Rathgeber AG, Munich,
member of the Supervisory Board

Harry Domnik,

Bielefeld, born 1953,
1st secretary of the IG Metall-
headquarters, Bielefeld,

- * ThyssenKrupp Umformtechnik GmbH,
Ludwigfelde, member of the Supervisory Board

Dr.-Ing. Jürgen Harnisch,

Mühlheim an der Ruhr, born 1942,
Independent Industry Consultant,

- Schenck Process Holding GmbH, Darmstadt,
member of the Supervisory Board
- Fahrzeug-Werke LUEG AG, Bochum,
member of the Supervisory Board
- * MacLean-Fogg Company., Mundelein, Illinois, USA,
member of the Supervisory Board
- * Presswerk Krefeld GmbH & Co. KG, Krefeld
member of the Supervisory Board
- * Kongsberg Automotive Holding ASA, Kongsberg,
Norway, member of the Supervisory Board

Dr. jur. Klaus Kessler

Stuttgart, born 1942,
Rechtsanwalt, Partner in Schelling & Partner
Lawyers and notaries, Stuttgart
Deutsche Schutzvereinigung für
Wertpapierbesitz e.V. (DSW), Düsseldorf,
member of the Executive Committee

- * Baden-Württembergische Wertpapier Börse, Stuttgart,
Deputy Chairman of the Stock Exchange Council

Prof. Dr.-Ing. Walter Kunerth,

Zeitlarn, born 1940,
Independent Industry Consultant,

- Götz AG, Regensburg,
Chairman of the Supervisory Board
- Paragon AG, Delbrück,
Chairman of the Supervisory Board
- * Autoliv Inc., Stockholm, Sweden,
member of the Board of Directors

Prof. Dr.-Ing. Uwe Loos,

Stuttgart, born 1946,
Independent Industry Consultant,

- Dorma Holding GmbH + Co. KGaA, Ennepetal, member of the Supervisory Board
- Adam Opel GmbH, Rüsselsheim, member of the Supervisory Board since 1st July 2008
- * Trumpf GmbH + Co. KG, Ditzingen, member of the Supervisory Board, member of the Administrative Board
- * Claas KGaA mbH, Harsewinkel, member of the Shareholders' Committee
- * Bharat Forge LTD, Pune, Indien, Non Executive Independent Director
- * cdp Bharat Forge GmbH, Ennepetal, member of the Advisory Council
- * HP Pelzer Group, Witten, member of the Supervisory Board
- * Rodenstock GmbH, Munich, member of the Supervisory Board, member of the Advisory Board

Günther-Johann Schachner,

Peiting, born 1952,
1st Representative of
IG Metall Headquarters, Weilheim

Matthias Pfuhl,

Schmerbach, born 1960,
Chairman of the Works Council at
DECKEL MAHO Seebach GmbH,
since 16 May 2008

Rainer Stritzke,

Seebach, born 1957,
Design engineer, until 16 May 2008

Norbert Zweng,

Eisenberg, born 1957,
Head of Logistics at DECKEL MAHO
Pfronten GmbH,
Senior Executives' representative

Executive Board

Dipl.-Kfm. Dr. Rüdiger Kapitza,
Bielefeld,
Chairman

Dipl.-Ing. Günter Bachmann,
Wutha-Farnroda

Dipl.-Kfm. Dr. Thorsten Schmidt,
Bielefeld

Dipl.-Kfm. Michael Welt,
Pfronten

Affiliated companies

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS			Equity ¹⁾ in € k	Result for Participation quota in %	the accounting period 2008 ¹⁾ in € k		
National currency							
GILDEMEISTER Beteiligungen AG, Bielefeld ²⁾			240,416	100.0			
DECKEL MAHO Pfronten GmbH, Pfronten ^{4/6/7)}			47,922	100.0			
SAUER GmbH, Stipshausen / Idar-Oberstein ^{4/8/9)}			6,942	100.0			
DECKEL MAHO GILDEMEISTER (Shanghai)							
Machine Tools Co., Ltd., Shanghai, China ⁶⁾	CNY K	133,563	13,900	100.0	3,637		
FAMOT Pleszew S.A., Pleszew, Poland ⁶⁾	PLN K	55,952	13,378	100.0	4,854		
GILDEMEISTER Drehmaschinen GmbH, Bielefeld ^{4/6/7)}			15,750	100.0			
GILDEMEISTER Partecipazioni S.r.l., Tortona, Italy ⁶⁾			109,585	100.0	618		
GILDEMEISTER Italiana S.p.A., Brembate di Sopra (Bergamo), Italy ³⁾			68,116	100.0	-2,610		
GRAZIANO Tortona S.r.l., Tortona, Italy ³⁾			13,545	100.0	3,338		
SACO S.p.A., Castelleone, Italy ³⁾			7,542	100.0	-230		
DMG Italia S.r.l., Brembate di Sopra, Italy ³⁾			2,986	100.0	-391		
DECKEL MAHO Seebach GmbH, Seebach ^{4/6/7)}			8,363	100.0			
DMG Automation GmbH, Hüfingen ^{4/6/7)}			1,486	100.0			
DMG Electronics GmbH, Pfronten ^{4/6/7)}			500	100.0			
DMG Spare Parts GmbH, Geretsried ^{4/6/7)}			12,000	100.0			
GILDEMEISTER Finance S.à.r.l., Luxembourg ⁶⁾			13	100.0	0		
DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld ^{2/4/5)}			124,863	100.0			
DMG Stuttgart Vertriebs und Service GmbH							
DECKEL MAHO GILDEMEISTER, Leonberg ^{4/5/10/11)}			45,001	100.0			
DMG München Vertriebs und Service GmbH für Werkzeugmaschinen							
DECKEL MAHO GILDEMEISTER, Munich ^{4/5/12/13)}			929	100.0			
DMG Hilden Vertriebs und Service GmbH							
DECKEL MAHO GILDEMEISTER, Hilden ^{4/5/12/13)}			935	100.0			
DMG Bielefeld Vertriebs und Service GmbH							
DECKEL MAHO GILDEMEISTER, Bielefeld ^{4/5/12/13)}			957	100.0			
DMG Berlin Vertriebs und Service GmbH							
DECKEL MAHO GILDEMEISTER, Berlin ^{4/5/11/12)}			301	100.0			
DMG Frankfurt am Main Vertriebs und Service GmbH							
DECKEL MAHO GILDEMEISTER, Bad Homburg ^{4/5/12/13)}			610	100.0			
GILDEMEISTER Italiana Deutschland GmbH, Leonberg ^{4/5/12/13)}			300	100.0			
DMG Europe Holding GmbH, Klaus, Austria ¹⁰⁾			77,573	100.0	10,603		
DMG Asia Pacific Pte. Ltd., Singapore ¹⁴⁾			SGD K	9,248	4,583	100.0	671
DMG Australia Pty. Ltd., Clayton Victoria, Australia ¹⁵⁾			AUD K	5,674	2,801	100.0	845
DMG (Thailand) Co. Ltd., Bangkok, Thailand ¹⁵⁾			THB K	14,850	304	100.0	-31
DMG Austria GmbH, Klaus, Austria ¹⁴⁾				4,373		100.0	1,246
DMG ECOLINE GmbH, Klaus, Austria ¹⁴⁾				969		100.0	-31
DMG Middle East fze, Dubai, United Arab Emirates ¹⁴⁾			AED K	1,075	209	100.0	14
DMG Benelux B.V., Veenendaal, The Netherlands ¹⁴⁾				33,031		100.0	662
DECKEL MAHO GILDEMEISTER Brasil Ltda., São Paulo, Brazil ¹⁶⁾			BRL K	6,545	1,993	100.0	-316
DECKEL MAHO GILDEMEISTER Iberica S.L., Berriz, Spain ¹⁶⁾				1,924		100.0	105

**PRODUCTION PLANTS, SALES AND SERVICE COMPANIES,
PROCUREMENT / COMPONENTS (CONTINUED)**

	National currency	Equity ¹⁾ in € k	Result for Participation quota in %	the accounting period 2008 ¹⁾ in € k
DMG America Inc., Itasca, USA ¹⁶⁾	USD K 33,204	23,756	100.0	7,800
DMG Charlotte LLC, Charlotte, USA ¹⁷⁾	USD K 3,032	2,169	100.0	684
DMG Chicago Inc., Itasca, USA ¹⁷⁾	USD K 1,360	973	100.0	-1,480
DMG Houston Inc., Houston, USA ¹⁷⁾	USD K 1,360	973	100.0	-15
DMG Los Angeles Inc., Los Angeles, USA ¹⁷⁾	USD K 1,349	965	100.0	-235
DMG Boston LLC, Burlington, USA ¹⁷⁾	USD K 2,012	1,439	100.0	686
DMG Asia Pte. Ltd., Singapore ¹⁶⁾		7,803	100.0	401
DMG Benelux BVBA - SPRL., Zaventem, Belgium ¹⁶⁾		2,815	100.0	684
DMG France S.a.r.l., Les Ulis, France ¹⁶⁾		4,871	100.0	218
DMG Czech s.r.o., Brno, Czech Republic ¹⁶⁾	CZK K 139,951	5,264	100.0	949
DMG Polska Sp.z o.o., Pleszew, Poland ¹⁶⁾	PLN K 18,912	4,522	100.0	725
DMG (Schweiz) AG DECKEL MAHO GILDEMEISTER, Dübendorf, Switzerland ¹⁶⁾	CHF K 15,506	10,435	100.0	1,943
DMG Romania Sales & Services S.r.l., Bukarest, Romania ¹⁶⁾	RON K 786	196	100.0	208
DMG South East Europe E.P.E., Thessaloniki, Greece ²⁴⁾		255	100.0	11
DMG (U.K.) Ltd., Luton, Great Britain ¹⁶⁾	GBP K 3,267	3,403	100.0	441
DMG Russland o.o.o., Moskau, Russia ¹⁴⁾	RUB K 31,456	744	100.0	-163
DMG Istanbul Makine Tikaret ve Servis Limited Sirketi, Istanbul, Turkey ¹⁴⁾	TRL K 3,042	1,414	100.0	-103
DMG Malaysia SDN BHD, Puchong/Kuala Lumpur, Malaysia ¹⁴⁾	MYR K 4,735	972	100.0	-1,096
DMG Nippon K.K., Yokohama, Japan ¹⁴⁾	JPY K 243,133	1,924	100.0	216
DMG Scandinavia Sverige AB, Sollentuna, Sweden ¹⁴⁾	SEK K 16,930	1,551	100.0	585
DMG Hungary Kereskedelmi és Szerviz Korlátolt Felelősségű Társaság, Budapest, Hungary ¹⁴⁾	HUF K 231,426	875	100.0	332
DMG Scandinavia Norge AS, Langhus, Norway ¹⁴⁾	NOK K 7,050	720	100.0	574
DMG Canada Inc., Toronto, Canada ¹⁰⁾	CAD K 1,558	908	100.0	150
DECKEL MAHO GILDEMEISTER México S.A. de C.V., Monterrey, Mexico ¹⁰⁾	MXN k 21,247	1,093	100.0	-101
DMG Technology Trading (Shanghai) Co. Ltd., Shanghai, China ¹⁰⁾	CNY K 43,644	4,542	100.0	362
DMG DECKEL MAHO GILDEMEISTER (India) Pvt. Ltd., Bangalore, India ¹⁰⁾	INR K 405,480	5,925	100.0	443
DMG Machinery Taiwan Ltd., Taichung, Taiwan ¹⁰⁾	TWD K 90,368	1,954	100.0	338
DMG Korea Ltd., Seoul, Korea ¹⁰⁾	KRW K 4,252,055	2,396	100.0	35
DMG Service Drehen GmbH DECKEL MAHO GILDEMEISTER, Bielefeld ^{4/5/10/11)}		1,500	100.0	
DMG Service Fräsen Pfronten GmbH, Pfronten ^{4/5/10/11)}		1,559	100.0	
DMG Service Fräsen Seebach GmbH, Seebach ^{4/5/10/11)}		1,171	100.0	
DMG Gebrauchtmachines GmbH DECKEL MAHO GILDEMEISTER, Geretsried ^{4/5/10/11)}		17,517	100.0	
DMG Gebrauchtmachines Czech s.r.o., Zlín, Czech Republic ¹⁸⁾	CZK K 27,534	1,036	100.0	294
DMG Trainings-Akademie GmbH DECKEL MAHO GILDEMEISTER, Bielefeld ^{4/5/10/11)}		271	100.0	
DMG MICROSET GmbH, Bielefeld ^{4/5/10)}		1,405	100.0	
a + f GmbH, Würzburg ^{4/5/10/11)}		20,100	100.0	

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS (CONTINUED)		National currency	Equity ¹⁾ in € k	Result for Participation quota in %	the accounting period 2008 ¹⁾ in € k
OTHER					
MITIS Grundstücks-Vermietungs Gesellschaft mbH & Co.					
Objekt Bielefeld KG, Düsseldorf ¹⁹⁾			0	98.0	
BIL Leasing GmbH & Co 736 KG, Munich ²⁰⁾			0		
BIL Leasing GmbH & Co 748 KG, Munich ²¹⁾			0		
Chemnitzer Grundbesitz Limited, Birmingham, Great Britain ²²⁾		GBP k	74	77	94.9
					-24

¹⁾ The figures correspond with the financial statements prepared in accordance with local regulations, they do not show the respective companies' contribution to the Consolidated Financial Statements. Foreign currencies with respect to equity were translated at the market price on reporting date.

²⁾ Management and profit and loss transfer agreement with GILDEMEISTER Aktiengesellschaft

³⁾ Participation interest of GILDEMEISTER Partecipazioni S.r.l.

⁴⁾ The domestic subsidiary has complied with the conditions required by Section 264 paragraph 3 HGB (German Commercial Code) regarding the application of the exemption regulations and therefore waives the disclosure of its annual financial statements and relating documents.

⁵⁾ The domestic subsidiary has complied with the conditions required by Section 264 paragraph 3 HGB (German Commercial Code) regarding the application of the exemption regulations and therefore waives the disclosure of the management report.

⁶⁾ Participation interest of GILDEMEISTER Beteiligungen AG

⁷⁾ Management and profit and loss transfer agreement with GILDEMEISTER Beteiligungen Aktiengesellschaft

⁸⁾ Participation interest of DECKEL MAHO Pfronten GmbH

⁹⁾ Management and profit and loss transfer agreement with DECKEL MAHO Pfronten GmbH

¹⁰⁾ Participation interest of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER

¹¹⁾ Management and profit and loss transfer agreement with DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER

¹²⁾ Participation interest of DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER

¹³⁾ Management and profit and loss transfer agreement with DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER

¹⁴⁾ Participation interest of DMG Europe Holding GmbH

¹⁵⁾ Participation interest of DMG Asia Pacific Pte. Ltd.

¹⁶⁾ Participation interest of DMG Benelux B.V.

¹⁷⁾ Participation interest of DMG America Inc.

¹⁸⁾ Participation interest of DMG Gebrauchtmachines GmbH DECKEL MAHO GILDEMEISTER

¹⁹⁾ Percentage of voting rights 49%, Special Purpose Entity of GILDEMEISTER Aktiengesellschaft

²⁰⁾ Special Purpose Entity of DMG Frankfurt am Main Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bad Homburg, excluding equity share

²¹⁾ Special Purpose Entity of DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Leonberg, excluding equity share

²²⁾ Participation interest of DMG Berlin Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Berlin

GILDEMEISTER Aktiengesellschaft is the parent company according to § 290 (HGB) and is engaged to prepare a Consolidated Financial Statement. The Consolidated Financial Statements and the Group Management Report for the year ending 31 December 2008 are available in the Electronic Bundesanzeiger and the Commercial Register as well as on our website www.gildemeister.com.

Income Statement
for the period 01 January to 31 December 2008
of GILDEMEISTER Aktiengesellschaft

	Notes	2008 €	2007 €
1. Sales revenues	13	14,995,784	13,145,858
2. Other operating income	14	3,542,669	5,688,266
		18,538,453	18,834,124
3. Cost of materials			
a) Cost of raw materials and consumables for purchased goods		90,769	177,019
b) Cost of purchased services		4,393,214	2,333,017
		4,483,983	2,510,036
4. Personnel costs	15		
a) Wages and salaries		15,818,183	11,791,450
b) Social contributions, pensions and other benefits		2,973,724	3,178,457
		18,791,907	14,969,907
5. Depreciation of tangible and intangible assets		1,475,949	1,472,515
6. Other operating expenses	16	35,455,375	29,092,498
7. Income from management and profit and loss transfer agreements	17	117,187,335	88,165,906
8. Other interest receivable and similar income	18	23,659,077	20,131,506
9. Interest payable and similar expenses	19	29,244,493	36,733,532
10. Profit on ordinary activities		69,933,158	42,353,048
11. Taxes on profit	20	25,922,921	20,886,433
12. Annual profit		44,010,237	21,466,615
13. Profit carry forward from previous year		3,506,170	7,925,430
14. Withdrawal from revenue provisions		22,000,000	10,730,000
15. Net profit for the year		25,516,407	18,662,045

**Balance Sheet as at 31 December 2008
of GILDEMEISTER Aktiengesellschaft**

ASSETS	Notes	31 Dec. 2008 €	31 Dec. 2007 €
A. Fixed Assets			
I. Intangible assets	1		
Industrial property and similar rights and values and licences to such rights and values		44,729	133,783
II. Tangible assets	1		
1. Land and buildings		16,215,610	16,661,343
2. Other equipment, factory and office equipment		2,342,757	2,129,890
3. Payments on account and construction in progress		4,180,208	800,350
		22,738,575	19,591,583
III. Financial assets	2		
Shares in affiliated companies		387,403,026	359,840,026
		410,186,330	379,565,392
B. Current Assets			
I. Receivables and other assets	3		
1. Trade receivables		110	6,590
2. Receivables from affiliated companies		272,263,525	289,603,793
3. Other assets		6,307,298	6,317,163
		278,570,933	295,927,546
II. Securities	4	5,000,000	0
III. Cash assets and bank balances	5	191,728,714	47,415,821
C. Prepaid Expenses	6	54,080	23,872
		885,540,057	722,932,631

EQUITY AND LIABILITIES		31 Dec. 2008	31 Dec. 2007
	Notes	€	€
A. Equity	7		
I. Subscribed capital		112,586,508	112,586,508
II. Capital provisions		71,297,862	71,297,862
III. Revenue provisions			
1. Statutory provisions		680,530	680,530
2. Other revenue provisions		155,532,902	133,532,902
IV. Net profit		25,516,407	18,662,045
		365,614,209	336,759,847
B. Provisions			
1. Pension provisions		14,200,671	13,983,443
2. Tax provisions	8	7,125,941	7,054,258
3. Other provisions	9	19,847,614	9,673,762
		41,174,226	30,711,463
C. Liabilities	10		
1. Bond		0	183,531,250
2. Borrowers' note		200,000,000	0
3. Bank loans and overdrafts		110,875,847	1,115,830
4. Trade creditors		3,252,376	1,973,233
5. Amounts owed to affiliated companies		157,968,143	151,725,318
6. Other liabilities		6,655,256	17,115,690
		478,751,622	355,461,321
		885,540,057	722,932,631

Fixed Asset Movement Schedule
as at 31 December 2008 of GILDEMEISTER Aktiengesellschaft

AQUISITION AND PRODUCTION COSTS

I. Intangible assets

Industrial property and similar rights and values
and licences to such rights and values

II. Tangible assets

1. Land and buildings
2. Other equipment, factory and office equipment
3. Payments on account and construction in progress

III. Financial assets

Shares in affiliated companies

Total fixed assets

DEPRECIATION

	As at 01 Jan. 2008 €	Additions €
I. Intangible assets		
Industrial property and similar rights and values and licences to such rights and values	17,197,424	107,570
	17,197,424	107,570
II. Tangible assets		
1. Land and buildings	16,639,750	870,681
2. Other equipment, factory and office equipment	6,551,712	497,698
3. Payments on account and construction in progress	0	0
	23,191,462	1,368,379
III. Financial assets		
Shares in affiliated companies	59,732,646	0
	59,732,646	0
Total fixed assets	100,121,532	1,475,949

As at 01 Jan. 2008 €	Additions €	Disposals €	Book transfer €	As at 31 Dec. 2008 €
17,331,207	18,516	0	0	17,349,723
17,331,207	18,516	0	0	17,349,723
33,301,093	139,944	0	285,004	33,726,041
8,681,602	517,410	1,301	194,456	9,392,167
800,350	3,859,318	0	-479,460	4,180,208
42,783,045	4,516,672	1,301	0	47,298,416
419,572,672	27,563,000	0	0	447,135,672
419,572,672	27,563,000	0	0	447,135,672
479,686,924	32,098,188	1,301	0	511,783,811

Disposals €	Book Transfer €	As at 31 Dec. 2008 €	Book Value as at 31 Dec. 2008 €	As at 31 Dec. 2007 €
0	0	17,304,994	44,729	133,783
0	0	17,304,994	44,729	133,783
0	0	17,510,431	16,215,610	16,661,343
0	0	7,049,410	2,342,757	2,129,890
0	0	0	4,180,208	800,350
0	0	24,559,841	22,738,575	19,591,583
0	0	59,732,646	387,403,026	359,840,026
0	0	59,732,646	387,403,026	359,840,026
0	0	101,597,481	410,186,330	379,565,392

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of GILDEMEISTER Aktiengesellschaft, and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the group.

Bielefeld, 10 March 2009
GILDEMEISTER Aktiengesellschaft

The Executive Board



Dipl.-Kfm. Dr. Rüdiger Kapitza



Dipl.-Ing. Günter Bachmann



Dipl.-Kfm. Dr. Thorsten Schmidt



Dipl.-Kfm. Michael Welt

Auditors' report

We have audited the annual financial statements prepared by GILDEMEISTER Aktiengesellschaft, Bielefeld, comprising the balance sheet, the income statement and the notes to the financial statements, together with the accounting and management report for the financial year from 1 January to 31 December 2008. The content of the "declaration of compliance" pursuant to Section 161 of the German Stock Corporation Act (AktG) in the management report is not the object of our audit. The accounting and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Executive Board of the company. Our responsibility is to express an opinion on the annual financial statements including the accounting and on the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). These standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with the applicable financial reporting framework and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control systems and the evidence supporting the disclosures in the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the financial statements comply with the statutory requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with the principles of correct accounting. The management report is consistent with the financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Berlin, 10 March 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft
(formerly
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)

Rehnen
Auditor

Dübeler
Auditor

12 March 2009	Press conference on Financial Statements, Bielefeld
12 March 2009	Publication of Annual Report 2008
13 March 2009	DVFA-Analysts' conference, Frankfurt
05 May 2009	First Quartaly Report 2009 (1 January to 31 March)
15 May 2009	General Meeting of Shareholders at 10 am in the Town Hall Bielefeld
18 May 2009	Distribution of dividend
04 August 2009	Second Quartaly Report 2009 (1 April to 30 June)
22 September 2009	German Investment Conference, Munich
05 November 2009	Third Quartaly Report 2009 (1 July to 30 September)
16 February 2010	Press release on provisional figures for the financial year 2009
14 May 2010	General Meeting of Shareholders at 10 am in the Town Hall Bielefeld

Änderungen vorbehalten

Statements relating to the future

This report contains statements relating to the future, which are based on current estimates by the management regarding future developments. Such statements are subject to risks and uncertainties and as such it is impracticable for GILDEMEISTER to carry out a check or make a precise estimate, such as for example for the future market environment and the general economic conditions, the conduct of the market participants, the successful integration of new acquisitions and the realization of expected synergy effects as well as measures by state agencies. Should one of these uncertainty factors or incalculabilities occur, or should the assumptions on which these statements are based turn out to be incorrect, the actual results may deviate significantly from the results explicitly stated or implicitly included in these statements. GILDEMEISTER neither intends nor assumes a separate obligation to update forward-looking statements in order to adapt them to events or developments after the reporting period. Forward-looking statements must not be understood as a guarantee or assurance of the future developments or events contained therein.

This Report is available in German and in English; both versions can be downloaded from the Internet at www.gildemeister.com. Further copies of this Report and additional Information on GILDEMEISTER can be obtained free of charge on request.

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